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25 July 1988

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council

FROM: Carl W. Ford, Jr.  
National Intelligence Officer for East Asia

SUBJECT: SNIE 14.3-88: Vietnam in Transition: Prospects for and  
Implications of Reform

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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

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Implications of Reform

1. Attached please find a revised draft of SNIE 14.3-88: Vietnam in Transition: Prospects for and Implications of Reform. It was prepared under the auspices of the National Intelligence Officer for East Asia and was drafted by Mr. [ ] Defense Intelligence Agency.

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2. The Estimate examines the implications of Vietnam's new domestic and foreign policies that mark important breaks with the past, and also discusses their implications for the United States.

3. Several changes have been made to this draft in response to the Senior Review Panel's comments. Specifically:

SRP Memo Paragraph 1: "text can benefit from clearer exposition and tightening up

- The draft has been extensively reorganized, new sections added, judgments sharpened, and murky points clarified.

SRP Memo Paragraph 2: "ambiguities and gaps are troublesome"

2a: "underestimates the central role of agriculture in the Vietnamese economy"

- The NIO and community representatives discussed this issue at length, reexamined the text, clarified points, and added some new language.
- However, our essential judgment--no rapid economic turnaround for Vietnam--remains unchanged.

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- The Reference to 10 years has been dropped, but we maintain that the Vietnamese projection of 4 to 5 years is optimistic.
- As the text points out, Vietnam's agricultural reforms began in the late 1970s. Like China, production jumped from 12 million metric tons to 18 million in 1985. Since then, however, production in Vietnam has leveled off. Both US and international experts agree that to obtain further increases, Hanoi must invest heavily in such things as fertilizers, insecticides, seeds, transport networks and other infrastructure. Moreover, studies by international organizations suggest that even if such investments are made, major irrigation construction would be required to push grain production much beyond 22 million metric tons.
- We believe, therefore, that even if Vietnam succeeds in attracting outside capital and invests heavily in agriculture, the result will not offset the many other structural and bureaucratic impediments in the system. Moreover, these results would not be felt quickly.
- Why Vietnam's agricultural reforms failed to unleash the same sort of energy and stimulus to the economy as did similar reforms in China remains unclear. Production surged as in China, but there the parallel appears to stop. The specialists suggest that different circumstances--such things as the astronomical inflation rates (sometimes as high as 2,500 percent), less capable administrators, and the government's unwillingness to raise the contract price of grain--are at least a partial answer.
- In any event, we have included an alternative outcome--judged a less likely prospect--that there could be an early stabilization of the current economic chaos, followed by a period of sustained growth fueled by large infusions of international aid.

2b. "ignores the impact of the military program on the economy"

- The Key Judgments and the text have been revised to include:

"The new leadership increasingly has come to view the conflict in Cambodia as a costly and counterproductive venture that is militarily unwinnable. Although it probably does not expect substantial savings from a military pullback from Cambodia, particularly early on, Hanoi does believe that the conflict in Cambodia distracts attention and resources from urgent domestic problems and blocks meaningful access to the Western and Japanese aid, trade, investment, and technology it needs to forge an economic recovery and development strategy."

- We do not know what sort of force reduction/demobilization Hanoi contemplates in conjunction with a withdrawal from Cambodia, but we believe any savings will be largely offset by new costs to the civilian economy. Over the longer term, we believe the greatest potential for force reduction will come in the northern provinces opposite China.

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- Estimates of the proportion of Vietnam's national economic resource base devoted to the military are so unreliable, we chose not to include them in the study.

2c. "statistical data needs to be combed out"

- We agree that the official growth rate statistic was confusing and unhelpful. It has been eliminated.
- We have updated Vietnam's population from 60 million to 65 million based on the July 1988 World Fact Book.

SRP Memo Paragraph 3: "The Reform Leadership"

- The SRP's point was well taken. A new section--paragraphs 13 to 15--has been added. It discusses disputes with the leadership and the positions of a range of important officials.
- Linh's role in Vietnam is thought to be somewhat more important than Deng Xioping's in China. The changes, however, correct for the over emphasis given to Linh in the first draft.

SRP Memo Paragraph 4: "The Military Picture"

- We agree with the SRP that a clearer picture of Vietnam's military would be a valuable addition to the paper. Unfortunately, our expertise is limited primarily to order of battle, training, doctrine, and combat operations (Cambodia, Sino-Vietnamese border and the Spratlys) issues. Our understanding of other subjects, such as the military role in leadership politics, production, and the defense burden, are fragmentary.
- Accordingly, we have limited our additions to those mentioned in NIO/EA response to SRP Paragraph 2. above, and the view of the Defense Minister contained in the new leadership section.

SRP Memo Paragraph 5: "Soviet section seems particularly thin"

- The entire section has been rewritten.

SRP Memo Paragraph 6: "Key Judgments--more summary than forcefully stated findings"

- Key Judgments have been redrafted to emphasize our findings as suggested.

6a. "use of military force"

- The questionable phrase "sharply retrench on the use or threat of military force" has been removed from the Key Judgments. It has been replaced with:

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"While Hanoi is unlikely to foreswear military posturing entirely, we believe, in its own Indochina backyard, Vietnam is moving toward a new framework that assures its interests and that is much less dependent on military domination."

- The original thought remains in the text, but appears in the context of a more lengthy discussions of the issue.
- Both ideas are judgments based on what the Vietnamese have been saying and doing over the past year or so. They are more than a "hunch," but are not based on hard evidence. Instead, bits and pieces of information over an extended period of time point in this direction.

6b. "estimate of economy overly pessimistic"

- Our estimate of the economy remains pessimistic but we have removed the reference to "fundamental headway will not be evident for a decade, if then."
- The new Key Judgment states:

"We believe several factors militate against a rapid economic turnaround for Vietnam.

- A limited capacity to absorb foreign aid or investment.
- An inability, thus far, to effectively implement its reform initiatives.
- An inability to expand agricultural production much beyond present levels.
- And, a weak economic infrastructure.

Linh and other senior officials concede that reforms will not have any discernible impact for at least four or five years. Although improvements in some sectors are possible in the short term, we find Linh's prognosis to be optimistic."

- See NIO/EA response to SRP Paragraph 2 above for a more detailed discussion of the economy.

6c. "Soviet-Vietnamese Relations"

- This Key Judgment has been rewritten.

6d. "US, the Crucial Component?"

- We agree with the SRP's comment. The thought was not presented clearly. The text has been rewritten and the idea dropped from the Key Judgments.

SRP Memo Paragraph 7: "Minor Items"

7a. "Washington-Hanoi relations"

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-- SRP points well taken. Confusing presentation has been redrafted.

7b. Economic Reform Box to an Annex"

-- Done.

7c. "Eliminate 'cutsie' subtitles"

-- Done.

4. We plan to present the Estimate, as modified, to NFIB on Thursday, 28 July 1988.

  
Carl W. Ford Jr.

Attachments